

**M e m o r a n d u m**

**To:** Honorable Jerome E. Horton, Chairman  
Honorable Michelle Steel, Vice-Chair  
Honorable Betty T. Yee  
Senator George Runner  
Honorable John Chiang

Date : June 23, 2011

**From:** David J. Gau, Deputy Director  
Property and Specials Taxes Department, MIC: 63



**Subject: Additional Material for Board Meeting Agenda Item P1.2, Centralized Revenue Opportunity System (CROS) Project Update**

I would like to make you aware of a few significant developments this week related to the CROS project.

Staff was notified in a meeting on June 21<sup>st</sup> with the California Technology Agency (CTA) and the Department of Finance (DOF) that we should be receiving an approval letter next week to our previously submitted Feasibility Study Report. A condition for the approval will be that the Department of Finance is to be part of the team involved in the review, vendor discussion and negotiation of the compensation model. We understand that this is the only condition to the approval, but cannot confirm until the letter is received.

On June 21<sup>st</sup>, Ms. Liz Houser and I spoke with the Department of General Service's Procurement Director and were informed (subsequently confirmed in an email on June 22<sup>nd</sup>) that the partial delegation previously offered to us in their letter of February 16, 2011 (attached), was being withdrawn. As a result, the CROS project will follow the normal process for a project the size and complexity of CROS and DGS will supervise the procurement. Staff will be evaluating the impact this may have on the project timeline. We were encouraged, however, to begin our conversation with their agency soon in order to facilitate the procurement planning process.

The Project Director exam was held last week and references are currently being checked. You should be receiving the candidate list and application packages early next week in order for your offices to schedule and conduct interviews.

Lastly, we finished holding the four previously mentioned stakeholder meetings in Sacramento, Culver City, San Diego, and San Jose. The attendance was lower than expected; however, we did speak to representatives for business owners and for city and county governments. The comments and suggestions will be considered at the appropriate time for inclusion in the Request for Proposal. Staff is researching additional avenues for reaching out to our stakeholders and will be contacting your offices for more specific ideas you may want to offer.

DJG:tw

Attachments

cc: Ms. Regina Evans  
Mr. Louis Barnett (MIC:77)  
Mr. Alan LoFaso (MIC:71)  
Mr. Sean Wallentine (MIC:78)  
Ms. Marcy Jo Mandel  
Ms. Kristine Cazadd (MIC:73)

Ms. Anna Brannen (MIC:26)  
Ms. Liz Houser (MIC:69)  
Mr. Jeffrey L. McGuire (MIC:43)  
Ms. Diane Olson (MIC:81)

February 16, 2011

Kristine Cazadd  
Executive Director  
Board of Equalization – Legal Department  
Legal – MIC: 83  
P.O. Box 942879  
Sacramento, CA 94279-0083

Dear Kristine,

Thank you for giving us the opportunity to review your delegation proposal for the Board of Equalization's (BOE) Centralized Revenue Opportunity System (CROS). The CROS system is an important project for the State of California especially in light of the significant incremental revenue projections included in your request.

Accordingly, to the extent permitted by Public Contract Code (PCC) Section 12102(f) and specifically to further the purposes of accelerating revenue to the already strained general fund of the State of California, DGS agrees to grant a one-time delegation of authority to the BOE to conduct the procurement for this project. This authority is limited by applicable statutes, as noted below, and the following stipulations:

That the BOE receive approval from the California Technology Agency for this project pursuant to Government Code section 11545 et seq.

That the DGS will review and exercise approval of the Request for Proposal, prior to its release, and all addenda, excepting addenda containing entirely administrative changes, pursuant to by Public Contract Code section 12104(c).

That prior to the release of the Intent to Award, the DGS will review and exercise approval of the Evaluation and Selection Report pursuant to Public Contract Code section 12100.

That the DGS must approve any alterations to the GSPD-401IT General Provisions except for those provisions that allow for modification in the Statement of Work pursuant to Public Contract Code section 12101.2.

That the BOE must request that DGS exercise its statutory authority under Public Contract Code section 6611 for any negotiations, such exercise to be not unreasonably withheld.

That the DGS will diligently work to review the documents as expeditiously as possible. However, because of the complex nature of these documents, the DGS may require more than 10 days to conduct our reviews. On the rare occasion that additional time is necessary, the DGS will inform the BOE in writing and this correspondence will provide the BOE with a date on which the review will be completed.

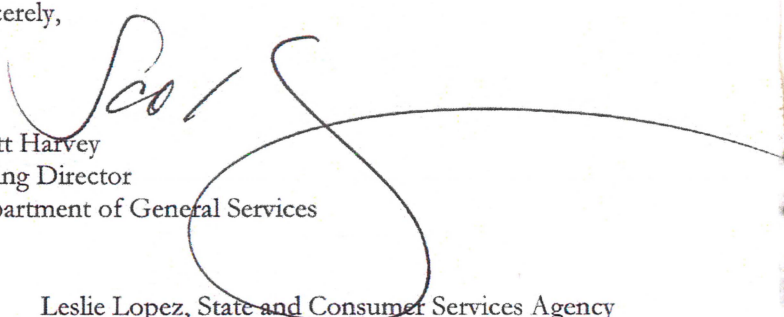


That the DGS will also make its staff available to review other aspects of the acquisition on an ad hoc basis at the request of the BOE. Such review will be subject to a 10 business day completion time.

As part of this delegation, the DGS grants to the BOE the authority to conduct all other activities associated with this acquisition, including, but not limited to product demonstrations, confidential discussions, and question and answer sets. Also, the BOE is the sole representative of this project to the public and may execute the contract after review and approval by DGS.

Except as outlined above, the DGS delegates no other authority. DGS is committed to working with BOE to effect a successful outcome of this important initiative. I look forward to your concurrence of this grant of delegation.

Sincerely,



Scott Harvey  
Acting Director  
Department of General Services

cc: Leslie Lopez, State and Consumer Services Agency  
Jose Aguirre, Department of General Services  
Jim Butler, Department of General Services  
Marjorie Rubenstein, Department of General Services  
Randy Ferris, Board of Equalization



STATE OF CALIFORNIA

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JOHN CHIANG  
State Controller

KRISTINE CAZADD  
Interim Executive Director

February 28, 2011

Scott Harvey  
Acting Director  
Department of General Services  
707 3<sup>rd</sup> Street, 8<sup>th</sup> Floor  
West Sacramento, CA 95605

**Re: Centralized Revenue Opportunity System (CROS)  
One-time Procurement Delegation**

Dear Scott,

Thank you for your letter of agreement dated February 16, 2011, which grants a one-time procurement delegation to the Board of Equalization's (BOE) CROS project. The BOE has reviewed the agreement for the one-time delegation of authority for CROS and presents the following points for your further consideration:

DGS review of the Request for Proposal (RFP) prior to release to the public is appropriate as mandated by Public Contract Code section 12104(c). Because approval authority is not included in the statute, the BOE proposes that DGS review as provided for by the statute is sufficient.

Because Public Contract Code section 12100 authorizes DGS to conduct procurements for information technology (IT), and Public Contract Code section 12102(f) authorizes DGS to delegate such authority, DGS review and approval of the Evaluation and Selection Report prior to the Intent to Award may be delegated to the BOE.

Changes to the IT General Provisions may similarly be delegated to the BOE per Public Contract Code section 12102(f), provided that the BOE identifies such changes to the IT General Provisions to each bidder or proposer prior to the due date for the bid or proposal, pursuant to Public Contract Code section 12102.2.

Review and approval of the CROS contract by DGS may be delegated to the BOE pursuant to Public Contract Code section 12102(f).

Attached for your reference is a matrix which outlines the current status of the CROS acquisition authority. The BOE is appreciative of the current level of delegation offered by DGS, and of the assistance of DGS staff on an ad hoc basis during the CROS acquisition.

Scott Harvey  
Centralized Revenue  
Opportunity System (CROS)  
One-time Procurement Delegation

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February 28, 2011

We respectfully request, however, that you expand the scope of delegation to the maximum extent allowable under the above-referenced statutes, as outlined in the attached matrix. We would appreciate a response in writing to this request on or before March 11, 2011, so that we can make a full and informed report to our Board Members at their monthly meeting later in March. Thank you for your further consideration of this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Kristine Cazadd", written in a cursive style.

Kristine Cazadd  
Interim Executive Director

Enclosure

cc: Mr. Jim Butler, Department of General Services  
Mr. Randy Ferris, Board of Equalization  
Ms. Regina Evans, Board of Equalization



## Centralized Revenue Opportunity System (CROS) Project DGS Delegation Authority Matrix

Typical DGS Procurement Duties	BOE'S Desired Delegation	DGS Counter-Offer
Works with program to write RFP	✓	✓
Conducts vendor forum	✓	✓
Sole State contact for vendors	✓	✓
Conducts demonstrations	✓	✓
Conducts confidential discussions	✓	✓
Conducts question and answer sets	✓	✓
Reviews RFP prior to release to public	✓	
Approves RFP prior to release to public *	✓	
Review of all RFP addenda *	✓	
Approval of all RFP addenda *	✓	
Prior to Intent to Award, review and approval of Evaluation and Selection report **	✓	
Changes to IT General Provisions must be approved ***	✓	
Authority to negotiate contract per PCC §6611	✓ with legislative authority	
Approves the contract after parties have signed ***	✓	

\* DGS approval not statutorily required per PCC §12104(c)

\*\*DGS approval not statutorily required per PCC §12100

\*\*\*May be delegated as part of acquisition authority per PCC §12102(f)

March 9, 2011

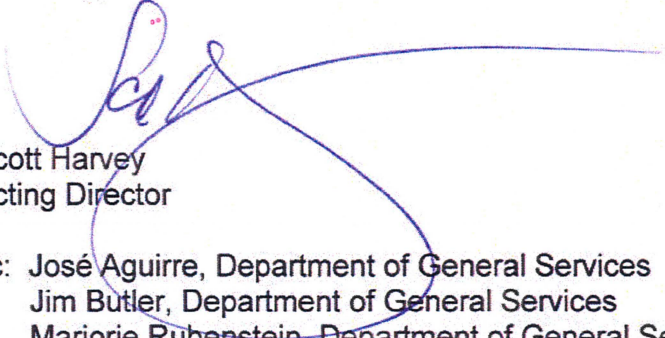
Kristine Cazadd  
Executive Director  
Board of Equalization – Legal Department  
Legal – MIC: 73  
P.O. Box 942879  
Sacramento, CA 94279-0083

Dear Kristine,

I write in response to the Board of Equalization's (BOE) February 28, 2011 request for expanded delegation for the CROS project. The Department of General Services (DGS) has reviewed your suggestions for expanded authority and is respectfully unable to grant BOE's request. The current statutes form the basis for DGS retaining certain review and approval authority. This is reflected in the authority DGS is willing to delegate to BOE, as stated in our letter of February 16, 2011.

DGS is committed to working with BOE to affect a successful outcome of this important project.

Sincerely,



Scott Harvey  
Acting Director

cc: José Aguirre, Department of General Services  
Jim Butler, Department of General Services  
Marjorie Rubenstein, Department of General Services